

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-08 AID-05 TRSE-00 OMB-01 COME-00
AGRE-00 IO-13 HA-05 FRB-03 OPIC-03 CIAE-00
DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05
PA-01 SP-02 SS-15 ICA-11 ABF-01 /103 W
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R 071305Z AUG 78
FM AMEMBASSY ACCRA
TO SECSTATE WASHDC 4969

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ALSO PASS AID/AFR/CAWA

EO 11652: NA
TAGS: EAID, EFIN, EAGR, GH
SUBJ: MEETING WITH ECONOMIC PLANNING COMMISSIONER

REF: (A) ACCRA 5627; (B) STATE 184659; (C) ACCRA 6270

1. SUMMARY. CHARGE AND MISSION OFFICIALS CALLED AUGUST
2 ECONOMIC PLANNING COMMISSIONER ABBEY TO RESPOND
TO JULY 11 APPEALS BY THE HEAD OF STATE AND THE ECONOMIC
PLANNING COMMISSIONER FOR US ASSISTANCE. THERE WAS NO
JUSTIFICATION FOR PL-480 TITLE II ASSISTANCE BUT THE CRS PROGRAM
WOULD CONTINUE IN FY 1979; TITLE I AND PROGRAM ASSISTANCE
WERE UNDER CONSIDERATION, BUT THE OUTCOME OF GHANA'S
DISCUSSIONS WITH THE IMF WOULD BE AN IMPORTANT FACTOR IN
OUR DECISION; AND GHANA WAS APPARENTLY NOT ELIGIBLE FOR
T
TLE III. END SUMMARY.

2. TITLE II: CHARGE, AID MISSION DIRECTOR, AID DEPUTY
DIRECTOR, AND ECON COUNSELOR CALLED AUGUST 2 ON ECONOMIC
PLANNING COMMISSIONER ABBEY, NEW FINANCE PRINCIPAL SECRE-
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TARY (BUDGET) HAGEN, AND NEW ECON PLANNING PRINCIPAL
SECRETARY BOSSUE, TO INFORM COMMISSIONER THAT PRESENT
CIRCUMSTANCES DID NOT JUSTIFY PROVIDING U.S. EMERGENCY
FOOD AID AT THIS TIME. AID DIRECTOR REFERRED TO GOG
REQUEST (REFTEL A) THAT USG AGAIN CONSIDER GOG EARLIER
REQUEST FOR 10,000 MT OF SORGHUM UNDER PL-480, TITLE II,
SPECIFICALLY FOR THE DROUGHT-STRICKEN NORTHERN AND UPPER

REGIONS OF GHANA. MISSION DIRECTOR EXPLAINED THAT AID FOOD AND PEACE OFFICER, TOGETHER WITH FOOD MONITORS, HAD IMMEDIATELY TRAVELLED TO THOSE REGIONS TO SURVEY SITUATION. THEIR REPORT WAS NOW AVAILABLE (REFTEL C). HAPPILY, THE COMBINATION OF GOOD RAINFALL, DONOR ASSISTANCE, AND GOG ATTENTION TO PROBLEM HAD TURNED SITUATION AROUND. ACCORDINGLY, THERE WAS NO JUSTIFICATION FOR EMERGENCY AID AT THIS TIME. WE CONTINUED TO STAND READY TO BE HELPFUL SHOULD THIS SITUATION UNEXPECTEDLY CHANGE FOR THE WORSE. DIRECTOR THEN GAVE COMMISSIONER COPY OF FFP OFFICER'S REPORT.

3. TITLE II (CRS). MISSION DIRECTOR NOTED THAT USG HAD JUST APPROVED A DLS 4 MILLION FY'79 TITLE II PROGRAM FOR GHANA TO PROVIDE FOOD FOR DISTRIBUTION TO SELECTED RECIPIENTS THROUGHOUT GHANA BY CATHOLIC RELIEF SERVICES.

4. TITLES I AND III. MISSION DIRECTOR ALSO CLARIFIED THE SITUATION CONCERNING POSSIBLE TITLE I AND III PROGRAMS FOR GHANA. GHANA WAS ELIGIBLE FOR A PL-480 TITLE I PROGRAM AND THE USG WAS CONSIDERING SERIOUSLY THE GOG REQUEST. OUTCOME OF THE IMF CONSULTATIONS WOULD BE AN IMPORTANT FACTOR IN OUR DECISION. HOWEVER, THERE WAS AN UPPER LIMIT OF DLS 550 ANNUAL PER CAPITA INCOME ON COUNTRIES ELIGIBLE FOR TITLE III ASSISTANCE. RECENT IBRD DATA SHOWED GHANA AT DLS 590. AS THIS WAS LARGELY A REFLECTED LIMITED OFFICIAL USE

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TION OF THE OVERVALUATION OF THE CEDI, WHICH THE PRESENT EXCHANGE RATE ADJUSTMENTS WERE BEGINNING TO CORRECT, GHANA MIGHT WISH TO ASK THE IBRD URGENTLY TO RECALCULATE THIS (DOLLAR) PER CAPITA INCOME FIGURE AT A MORE REALISTIC EXCHANGE RATE.

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5. COMMISSIONER'S RESPONSE. DR. ABBEY SAID HE UNDERSTOOD THE BASIS FOR OUR DECISION ON THE TITLE II REQUEST, THANKED US FOR THE NEWS ON THE CRS PROGRAM AND SAID HE WOULD BRIEF HIS SUPERIORS (I.E., THE HEAD OF STATE WHO FIRST INITIATED THE REQUEST (ACCRA 5555). HE THEN MADE AN ELOQUENT PLEA FOR SOME PROMPT U.S. ASSISTANCE TO HELP GHANA MEET ITS IMMEDIATE NEEDS. GHANA NEEDED PROGRAM AID TO FINANCE IMPORTS TO KEEP ITS ECONOMY MOVING AND, ABOVE ALL, TO IMPORT THE CRITICAL RAW MATERIALS REQUIRED FOR ITS STARVED INDUSTRIAL SECTOR. A BRITISH ECGD LOAN OF 10 MILLION POUNDS STERLING HAD BEEN ALLOCATED, AT A RECENT TOP-LEVEL MEETING, " IN THE FIRST TWO MINUTES." THEY FACED ONE CRISIS AFTER ANOTHER, WITH EVERY ITEM CRITICALLY SHORT: ONE MINUTE IT WAS TRUCK AND TRACTOR SPARE PARTS; THEN LUBRICATING OIL, THEN AGRICULTURAL CHEMICALS. SPECIFICALLY, HE ASKED IF WE COULD NOT HELP WITH A TITLE I PROGRAM AND/OR A PROGRAM LOAN "IN ADVANCE OF FINAL AGREEMENT WITH THE IMF," A PROCESS WHICH HE ANTICIPATED COULD TAKE SEVERAL MONTHS.

6. TIMETABLE. DR. ABBEY EXPLAINED IN DETAIL THAT, BEFORE
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THE JULY 5 CHANGE IN GOVERNMENT, THE GOVERNMENT HAD INTENDED TO ISSUE IN MID-JULY THE FY 1979 (JULY TO JUNE) BUDGET, WITH ITS ECONOMIC POLICY DECISIONS COMPLEMENTING THE DEVALUATION BEGUN IN JUNE. THE GOG HAD INTENDED, AFTER THIS NEW ECONOMIC PROGRAM HAD BEEN OPERATING FOR ABOUT TWO MONTHS, TO APPROACH THE IMF (ON THE OCCASION OF THE ANNUAL FUND/BANK MEETINGS AT END-SEPTEMBER) AND REQUEST FINANCIAL SUPPORT. HOWEVER, FOLLOWING THE JULY 5 CHANGES, THE NEW HEAD OF STATE HAD DECIDED NOT TO WAIT UNTIL SEPTEMBER, BUT TO SEEK IMF SUPPORT AT ONCE. UNFORTUNATELY, THE IMF TEAM WHICH ARRIVED JULY 31 HAD INCLUDED ONLY ENOUGH MEMBERS FOR REGULAR ARTICLE IV (REPLACING OLD ARTICLE XIV) CONSULTATIONS. AS A RESULT OF AN INTERNAL GOG SNAFU, THE IMF HAD NOT BEEN INFORMED OF THE GOG DECISION TO SEEK A STAND-BY ARRANGEMENT (PARA FOUR OF ACCRA 5627). THE BUDGET HAD NOW BEEN

HELD UP TO PERMIT IMF TO COMMENT ON THE MEASURES IT CONTAINED. DR. ABBEY EXPECTED IT TO BE READY BY END-AUGUST.

7. OUTLOOK AND CONCLUSION. IT NOW APPEARED THAT THE IMF NEGOTIATIONS WOULD, AS A MINIMUM, REQUIRE A SECOND ROUND OF MEETINGS, PROBABLY MORE. GIVEN THAT GHANA WAS SERIOUSLY NEGOTIATING WITH THE FUND, AND IN LIGHT OF THE PRESENT FRAGILE ECONOMIC SITUATION, SOME IMMEDIATE U.S. ASSISTANCE WOULD BOLSTER THE GOVERNMENT AT A CRITICAL JUNCTURE WITHOUT UNDERCUTTING THE IMF, DR. ABBEY SAID.

8. CCC CREDIT. THE CHARGE AND OTHER USG OFFICIALS PRESENT EMPHASIZED THAT THE USG WAS SYMPATHETIC TO THE NEW GOVERNMENT'S PROBLEMS, ASSURED THE COMMISSIONER WE WOULD CONVEY HIS REQUEST PROMPTLY TO WASHINGTON, AND NOTED THAT CCC CREDIT WAS IMMEDIATELY AVAILABLE FOR SUCH RAW MATERIALS AS TALLOW AND COTTON. WE ALSO NOTED THAT LIMITED OFFICIAL USE

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WHILE USG WOULD NOT NECESSARILY BE BOUND ABSOLUTELY BY IMF JUDGMENTS, WE WOULD WISH TO KNOW RESULTS OF GOG DISCUSSIONS WITH THE FUND AND HAVE CHANCE TO LEARN FROM BUDGET OF ADDITIONAL ELEMENTS IN GOG ECONOMIC PROGRAM BEFORE MAKING DECISION ON TITLE I OR OTHER POSSIBLE PROGRAM ASSISTANCE.

9. WE PLAN EARLY WRAP-UP REPORT ON ECONOMIC STEPS TAKEN SINCE JULY 5 WITH OUR RECOMMENDATIONS ON USG STANCE AS RECONSTITUTED GOVERNMENT TACKLES GHANA'S ECONOMIC PROBLEMS. HOLMES

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